

Battle Creek Area Learning Center

**Financial Report
with Supplemental Information
June 30, 2011**

Battle Creek Area Learning Center

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Independent Auditor's Report

To the Board of Education
Battle Creek Area Learning Center

We have audited the accompanying financial statements of the governmental activities and the major fund of Battle Creek Area Learning Center (the "Center") as of and for the year ended June 30, 2011, which collectively comprise the Center's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Battle Creek Area Learning Center's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of Battle Creek Area Learning Center as of June 30, 2011 and the respective changes in financial position and cash flows, where applicable, for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

During the year, the Center implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund-type Definitions*, as discussed in Note 1. As a result of this required implementation, the fund balance classifications in the governmental fund financial statements have been changed to reflect the new classifications under GASB No. 54.

The management's discussion and analysis and budgetary comparison schedules, as identified in the table of contents, are not a required part of the basic financial statements but are supplemental information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

To the Board of Education
Battle Creek Area Learning Center

In accordance with *Government Auditing Standards*, we have also issued a report dated November 9, 2011 on our consideration of the Center's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide opinions on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Plante & Moran, PLLC

November 9, 2011

**Report on Internal Control Over Financial Reporting and on Compliance
and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

To the Board of Education
Battle Creek Area Learning Center

We have audited the financial statements of the governmental activities and the major fund of Battle Creek Area Learning Center (the "Center") as of and for the year ended June 30, 2011, which collectively comprise the Center's basic financial statements, and have issued our report thereon dated November 9, 2011. We have conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Center's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Center's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Center's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses; therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis.

To the Board of Education
Battle Creek Area Learning Center

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Battle Creek Area Learning Center's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, the Board of Education, others within the Center, regulatory bodies, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Plante & Moran, PLLC

November 9, 2011

Battle Creek Area Learning Center

Management's Discussion and Analysis

This section of Battle Creek Area Learning Center's (the "Center") annual financial report presents our discussion and analysis of the Center's financial performance during the year ended June 30, 2011. Please read it in conjunction with the Center's financial statements, which immediately follow this section.

Using this Annual Report

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Battle Creek Area Learning Center financially as a whole. The Center-wide financial statements provide information about the activities of the whole Center, presenting both an aggregate view of the Center's finances and a longer term view of those finances. The fund financial statements provide the next level of detail. For governmental activities, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements look at the Center's operations in more detail than the Center-wide financial statements by providing information about the Center's most significant fund - the General Fund.

Management's Discussion and Analysis (MD&A)
(Required Supplemental Information)

Basic Financial Statements

Center-wide Financial Statements Fund Financial Statements

Notes to the Basic Financial Statements

(Required Supplemental Information)
Budgetary Information for Major Fund

Battle Creek Area Learning Center

Management's Discussion and Analysis (Continued)

Reporting the Center as a Whole - Center-wide Financial Statements

One of the most important questions asked about the Center is, "As a whole, what is the Center's financial condition as a result of the year's activities?" The statement of net assets and the statement of activities, which appear first in the Center's financial statements, report information on the Center as a whole and its activities in a way that helps you answer this question. We prepare these statements to include all assets and liabilities, using the accrual basis of accounting, which is similar to the accounting used by most private sector companies. All of the current year's revenue and expenses are taken into account regardless of when cash is received or paid. These two statements report the Center's net assets - the difference between assets and liabilities, as reported in the statement of net assets - as one way to measure the Center's financial health or financial position. Over time, increases or decreases in the Center's net assets - as reported in the statement of activities - are indicators of whether its financial health is improving or deteriorating. The relationship between revenue and expenses is the Center's operating results. However, the Center's goal is to provide services to our students, not to generate profits as commercial entities do. One must consider many other nonfinancial factors, such as the quality of the education provided and the safety of the school, to assess the overall health of the Center.

The statement of net assets and the statement of activities report the governmental activities for the Center, which encompass all of the Center's services, including instruction and support services. Unrestricted state aid (foundation allowance revenue) and state and federal grants finance most of these activities.

Reporting the Center's Most Significant Funds - Fund Financial Statements

The Center's fund financial statements provide detailed information about the most significant funds - not the Center as a whole. At the current time, the Center only has the General Fund. In the future, additional funds could be established as required by state law for specific functions and by bond covenants. The Center could also establish other funds to help it control and manage money for particular purposes (Food Service Fund is an example) or to show that it is meeting legal responsibilities for using grants and other money. The governmental funds of the Center use the following accounting approach:

Governmental Funds - All of the Center's services are reported in a governmental fund. Governmental fund reporting focuses on showing how money flows into and out of funds and the balances left at year end that are available for spending. They are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the operations of the Center and the services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Center's programs.

Battle Creek Area Learning Center

Management's Discussion and Analysis (Continued)

The Center as a Whole

Recall that the statement of net assets provides the perspective of the Center as a whole. Table I provides a summary of the Center's net assets as of June 30, 2011 and 2010:

	Governmental Activities	
	June 30	
	2011	2010
	(in millions)	
Assets - Current and other assets	\$ 1.005	\$ 0.465
Liabilities - Current liabilities	<u>0.692</u>	<u>0.101</u>
Net Assets - Unrestricted	<u><u>\$ 0.313</u></u>	<u><u>\$ 0.364</u></u>

The above analysis focuses on the net assets (see Table I). The change in net assets (see Table 2) of the Center's governmental activities is discussed below. The Center's net assets were \$0.313 million at June 30, 2011. The entire amount of net assets was unrestricted.

The \$0.313 million in unrestricted net assets of governmental activities represents the accumulated results of all past years' operations. The unrestricted net assets balance enables the Center to meet working capital and cash flow requirements as well as to provide for future uncertainties. The operating results of the General Fund will have a significant impact on the change in unrestricted net assets from year to year.

The results of this year's operations for the Center as a whole are reported in the statement of activities (Table 2), which shows the changes in net assets for the fiscal years ended June 30, 2011 and 2010.

	Governmental Activities	
	2011	2010
	(in millions)	
Revenue		
Program revenue - Operating grants	\$ 0.195	\$ 0.153
General revenue - State foundation allowance and other	<u>1.213</u>	<u>1.153</u>
Total revenue	1.408	1.306
Functions/Program Expenses		
Instruction	1.005	0.915
Support services	<u>0.454</u>	<u>0.324</u>
Total functions/program expenses	<u>1.459</u>	<u>1.239</u>
(Decrease) Increase in Net Assets	<u><u>\$ (0.051)</u></u>	<u><u>\$ 0.067</u></u>

Battle Creek Area Learning Center

Management's Discussion and Analysis (Continued)

As reported in the statement of activities, the cost of all of our governmental activities this year was \$1.459 million. Certain activities were partially funded by other governments and organizations that subsidized certain programs with grants and contributions (\$0.195 million). We paid for the remaining "public benefit" portion of our governmental activities with \$1.213 million in state foundation allowance and our other revenue, i.e., interest and general entitlements.

The Center experienced a decrease in net assets of \$0.051 million. The key reason for this decrease was the implementation of the transition plan for administration and counseling resulting in the addition of an assistant director and an additional .25 FTE in counseling for the 2010-2011 school year.

As discussed above, the net cost shows the financial burden that was placed on the State by each of these functions. Since unrestricted state aid constitutes the vast majority of the Center's operating revenue sources, the board of directors and administration must annually evaluate the needs of the Center and balance those needs with state-prescribed available unrestricted resources.

The Center's Funds

As we noted earlier, the Center uses funds to help it control and manage money for particular purposes. Looking at funds helps the reader consider whether the Center is being accountable for the resources the State and others provide to it and may provide more insight into the Center's overall financial health.

As the Center completed this year, the governmental fund reported a fund balance of \$0.313 million, which is a decrease of \$0.051 million from last year. In the General Fund, our only operating fund, the primary reasons for the decrease are as follows:

- The addition of an assistant director as part of the transition plan for administration during 2010-11
- The addition of .25 FTE in counseling as part of the transition plan for this support service during 2010-11
- The General Fund fund balance is available to fund costs related to allowable school operating purposes.

General Fund Budgetary Highlights

Over the course of the year, the Center revises its budget as it attempts to deal with unexpected changes in revenue and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. The final amendment to the budget was actually adopted just before year end. A schedule showing the Center's original and final budget amounts compared with amounts actually paid and received is provided in the required supplemental information of these financial statements.

Battle Creek Area Learning Center

Management's Discussion and Analysis (Continued)

There were numerous revisions made to the 2010-2011 General Fund original budget. Budgeted revenue was increased \$0.077 million as a result of higher than originally anticipated per-pupil funding, a slight increase in enrollment, and the inclusion of Education Jobs funding and additional federal grant funding.

Budgeted expenditures were also increased by \$0.032 million to reflect the Center's revised operating plan including grant expenditures, which were adjusted to align with current-year funding.

There were no significant variances between the final budget and actual amounts.

Capital Assets and Debt Administration

Capital Assets

As of June 30, 2011, the Center had no money invested in capital assets.

Debt

At the end of this year, the Center had no debt.

Economic Factors and Next Year's Budgets and Rates

Our appointed officials and administration consider many factors when setting the Center's 2011-2012 fiscal year budget. One of the most important factors affecting the budget is our student count. The state foundation revenue is determined by multiplying the blended student count by the foundation allowance per pupil. The blended count for the 2011-2012 fiscal year will be 10 percent and 90 percent of the February 2011 and October 2011 student counts, respectively. This is a change from previous years where a 25 percent spring, 75 percent fall blend has been used. The 2011-2012 budget was adopted in June 2011, based on a growth plan of 203 blended FTEs and the required number of students to be enrolled in October 2011. Approximately 86 percent of total General Fund revenue is from the foundation allowance. As a result, Center funding is heavily dependent on the State's ability to fund local school operations. With the passage of the School Aid Act prior to June 30 this year, the Center had an opportunity to build its budget based on actual funding as promised by the legislature, although that revenue is \$300 less per pupil than in 2010-11. Based on early enrollment data at the start of the 2011-2012 school year, we anticipate that we will not meet our growth plan objectives and have developed and implemented a plan that adjusts staffing and expenditures accordingly. Once the final student count and related per-pupil funding is validated, state law requires the Center to amend the budget if actual district resources are not sufficient to fund original appropriations.

Battle Creek Area Learning Center

Management's Discussion and Analysis (Continued)

Since the Center's revenue is heavily dependent on state funding and the health of the State's School Aid Fund, the actual revenue received depends on the State's ability to collect revenue to fund its appropriation to public school academies. The State periodically holds a revenue-estimating conference to estimate revenue. Based on the results of the most recent conference and information recently released by the Senate Fiscal Agency related to YTD School Aid Fund collections, the State estimates funds are sufficient to fund the 2011-2012 appropriation; however, the appropriation is now \$470 per pupil below the 2008-2009 level. While the State Aid Act includes some one-time categorical funding designed to offset a portion of this reduction, it has yet to be determined if the Center will ultimately qualify for these funds. As such, the receipt of those funds has not been included in the budget adopted by the Center in June.

Battle Creek Area Learning Center

Statement of Net Assets June 30, 2011

	<u>Primary Government Governmental Activities</u>
Assets	
Cash (Note 3)	\$ 746,657
Due from other governmental units	<u>258,570</u>
Total assets	1,005,227
Liabilities - Accounts payable	<u>691,605</u>
Total Net Assets - Unrestricted	<u><u>\$ 313,622</u></u>

Battle Creek Area Learning Center

Statement of Activities Year Ended June 30, 2011

	<u>Expenses</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities Net (Expense) Revenue and Changes in Net Assets</u>
Functions/Programs			
Primary government - Governmental activities:			
Instruction	\$ 1,005,297	\$ 195,483	\$ (809,814)
Support services	<u>454,303</u>	<u>-</u>	<u>(454,303)</u>
Total primary government	<u>\$ 1,459,600</u>	<u>\$ 195,483</u>	(1,264,117)
General revenue:			
State aid not restricted to specific purposes			1,159,899
Federal sources - Unrestricted			51,438
Interest and investment earnings			<u>1,792</u>
Total general revenue			<u>1,213,129</u>
Change in Net Assets			(50,988)
Net Assets - Beginning of year			<u>364,610</u>
Net Assets - End of year			<u>\$ 313,622</u>

Battle Creek Area Learning Center

Governmental Funds Balance Sheet June 30, 2011

	<u>General Fund</u>
Assets	
Cash (Note 3)	\$ 746,657
Due from other governmental units	<u>258,570</u>
Total assets	<u><u>\$ 1,005,227</u></u>
Liabilities and Fund Balances	
Liabilities - Accounts payable	\$ 691,605
Fund Balances	
Assigned - Budgeted use of fund balance in subsequent year	25,310
Unassigned	<u>288,312</u>
Total liabilities and fund balances	<u><u>\$ 1,005,227</u></u>

Battle Creek Area Learning Center

Governmental Funds Statement of Revenue, Expenditures, and Changes in Fund Balances Year Ended June 30, 2011

	<u>General Fund</u>
Revenue	
Local sources	\$ 3,171
State sources	1,233,627
Federal sources	143,056
Governmental - Intergovernmental	<u>28,758</u>
Total revenue	1,408,612
Expenditures - Current	
Instruction	1,005,297
Support services	<u>454,303</u>
Total expenditures	<u>1,459,600</u>
Net Change in Fund Balances	(50,988)
Fund Balances - Beginning of year	<u>364,610</u>
Fund Balances - End of year	<u><u>\$ 313,622</u></u>

Battle Creek Area Learning Center

Notes to Financial Statements June 30, 2011

Note I - Summary of Significant Accounting Policies

The accounting policies of Battle Creek Area Learning Center (the "Center") conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Center:

Reporting Entity

The Center was formed as a charter school academy pursuant to the Michigan School Code of 1976, as amended by Act No. 362 of the Public Acts of 1993 and Act No. 416 of the Public Acts of 1994.

On September 27, 2000, the Center entered into a contract with the Kellogg Community College board of trustees to charter a public school academy. The Charter expires in September 2013. The contract requires the Center to act exclusively as a governmental agency and not undertake any action inconsistent with its status as an entity authorized to receive state school aid funds pursuant to the State Constitution. The Kellogg Community College Board of Trustees is the fiscal agent for the Center and is responsible for overseeing the Center's compliance with the contract and all applicable laws.

The Center provides alternative high school educational opportunities for those who are unable to benefit and achieve in a traditional high school setting.

The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational or financial relationships with the Center. Based on application of the criteria, the Center does not contain component units.

Administrative Services - Battle Creek Area Learning Center has entered into a management agreement with Lakeview School District (the "School District") for a term of one year commencing July 2003, with options to extend the contract. The agreement was extended through June 30, 2013. Under the terms of the management agreement, Lakeview School District provides all the required labor, materials, and supervision necessary for the provision of educational services to the students, as well as the management, operation, and maintenance of the Center. All costs incurred in providing this educational program at the Center are reimbursed by the Center to Lakeview School District. Lakeview School District receives funds only to the extent of reimbursed costs.

Battle Creek Area Learning Center

Notes to Financial Statements June 30, 2011

Note I - Summary of Significant Accounting Policies (Continued)

The Center-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. Governmental activities, which normally are supported by intergovernmental revenue, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All of the Center's government-wide activities are considered governmental activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenue. Direct expenses are those that are clearly identifiable with a specific function. Program revenue includes (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Intergovernmental payments and other items not properly included among program revenue are reported instead as general revenue.

Separate financial statements are provided for governmental funds. The General Fund is the Center's only fund.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Government-wide Financial Statements - The Center-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants, categorical aid, and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

When an expense is incurred for purposes for which both restricted and unrestricted net assets or fund balance are available, the Center's policy is to first apply restricted resources. When an expense is incurred for purposes which amounts in any of the unrestricted fund balance classifications could be used, it is the Center's policy to spend funds in this order: assigned fund balance and then unassigned fund balance.

Amounts reported as program revenue include operating grants and contributions. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes unrestricted state aid.

Battle Creek Area Learning Center

Notes to Financial Statements June 30, 2011

Note I - Summary of Significant Accounting Policies (Continued)

Fund Financial Statements - Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Center considers revenue to be available if it is collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

Unrestricted state aid, intergovernmental grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the Center.

The Center reports the following major governmental fund:

General Fund - The General Fund is the Center's primary operating fund. It accounts for all financial resources of the Center.

Assets, Liabilities, and Net Assets or Equity

Cash and Investments - Cash and investments include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables and Payables - All trade receivables are shown net of an allowance for uncollectible amounts. The Center considers all receivables to be fully collectible; accordingly, no allowance for uncollectible amounts is recorded.

Fund Balance - In March 2009, the GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund-type Definitions*. The objective of this statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund-type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed on the use of the resources reported in governmental funds. Under this standard, the fund balance classifications of reserved, designated, and unreserved/undesignated were replaced with five new classifications - nonspendable, restricted, committed, assigned, and unassigned. The School District implemented GASB Statement No. 54 during the year.

Battle Creek Area Learning Center

Notes to Financial Statements June 30, 2011

Note 1 - Summary of Significant Accounting Policies (Continued)

In the fund financial statements, governmental funds report the following components of fund balance:

- **Nonspendable:** Amounts that are not in spendable form or are legally or contractually required to be maintained intact
- **Restricted:** Amounts that are legally restricted by outside parties, constitutional provisions, or enabling legislation for use for a specific purpose
- **Committed:** Amounts that have been formally set aside by the Board of Education for use for use for specific purposes. Commitments are made and can be rescinded only via resolution of the Board of Education.
- **Assigned:** Intent to spend resources on specific purposes expressed by the Board of Education, superintendent, or director of finance, who is authorized by resolution approved by the Board of Education to make assignments

Comparative Data/Reclassifications - Comparative data is not included in the Center's financial statements.

Accounting Change - Effective July 1, 2010, the Center implemented the provisions of Governmental Accounting Standards Board Statement No. 54 as discussed above.

Note 2 - Stewardship, Compliance, and Accountability

Budgetary Information - Annual budgets are adopted on a basis consistent with generally accepted accounting principles and state law for the General Fund. All annual appropriations lapse at fiscal year end.

The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body (i.e., the level at which expenditures may not legally exceed appropriations) is the function level. State law requires the Center to have its budget in place by July 1. Expenditures in excess of amounts budgeted are a violation of Michigan law. State law permits districts to amend their budgets during the year. During the year, the budget was amended in a legally permissible manner.

Amounts encumbered for purchase orders, contracts, etc. are not tracked during the year. Budget appropriations are considered to be spent once the goods are delivered or the services rendered.

Excess of Expenditures Over Appropriations in Budgeted Funds - The Center did not have significant expenditure budget variances.

Battle Creek Area Learning Center

Notes to Financial Statements June 30, 2011

Note 3 - Deposits and Investments

State statutes (and the Center's investment policy) authorize the Center to make deposits in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The Center is allowed to invest in U.S. Treasury or agency obligations, U.S. government repurchase agreements, bankers' acceptances, commercial paper rated prime at the time of purchase that matures not more than 270 days after the date of purchase, mutual funds, and investment pools that are composed of authorized investment vehicles. The Center's deposits are in accordance with statutory authority.

The Center has designated one bank for the deposit of its funds.

The Center's cash and investments (the Center does not have any investments in the current year) are subject to custodial credit risk, which is examined in more detail below:

Custodial Credit Risk of Bank Deposits - Custodial credit risk is the risk that in the event of a bank failure, the Center's deposits may not be returned to it. The Center does not have a deposit policy for custodial credit risk. At year end, the Center's deposit balance at the bank of \$746,657 had \$496,657 of bank deposits (certificates of deposit, checking, and savings accounts) that were uninsured and uncollateralized. The Center evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Note 4 - Risk Management

The Center is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The risk of employee injuries and medical benefits for employees of Lakeview School District are covered by insurance held by the School District. The Center has purchased commercial insurance for all other claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Battle Creek Area Learning Center

Notes to Financial Statements June 30, 2011

Note 5 - Upcoming Accounting Pronouncements

GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, was issued by the GASB in June 2011 and will be effective for the Center's 2012-2013 fiscal year. The statement incorporates deferred outflows of resources and deferred inflows of resources, as defined by GASB Concepts Statement No. 4, into the definitions of the required components of the residual measure of net position, formerly net assets. This statement also provides a new statement of net position format to report all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position. Once implemented, this statement will impact the format and reporting of the balance sheet at the government-wide level and also at the fund level.

Required Supplemental Information

Battle Creek Area Learning Center

Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended June 30, 2011

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Final Budget</u>
Revenue				
Local sources	\$ 1,964	\$ 2,965	\$ 3,171	\$ 206
State sources	1,199,644	1,233,783	1,233,627	(156)
Federal sources	102,728	152,673	143,056	(9,617)
Governmental - Intergovernmental	35,436	27,338	28,758	1,420
Total revenue	<u>1,339,772</u>	<u>1,416,759</u>	<u>1,408,612</u>	<u>(8,147)</u>
Expenditures - Current				
Instruction:				
Basic program	865,542	861,235	854,635	(6,600)
Added needs	130,209	156,527	150,662	(5,865)
Support services:				
Pupil	87,487	94,547	93,697	(850)
Instructional staff	28,931	25,462	22,783	(2,679)
General administration	65,629	67,292	66,539	(753)
School administration	184,987	190,276	190,773	497
Business	5,345	5,368	5,272	(96)
Operations and maintenance	60,764	60,645	60,617	(28)
Pupil transportation services	1,000	1,000	1,083	83
Central	17,554	17,069	13,539	(3,530)
Total expenditures	<u>1,447,448</u>	<u>1,479,421</u>	<u>1,459,600</u>	<u>(19,821)</u>
Net Change in Fund Balance	(107,676)	(62,662)	(50,988)	11,674
Fund Balance - Beginning of year	<u>364,610</u>	<u>364,610</u>	<u>364,610</u>	<u>-</u>
Fund Balance - End of year	<u>\$ 256,934</u>	<u>\$ 301,948</u>	<u>\$ 313,622</u>	<u>\$ 11,674</u>